

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

- - - - - X
In re: : Chapter 11
The IT Group, Inc., : Case No. 02-10118(MFW)
~~et al.~~, :
Debtors. : Jointly Administered
: Related to Docket No. 4736
- + - - - - - X

ORDER UNDER FED. R. BANKR. P. 9019
APPROVING SETTLEMENT AGREEMENT BETWEEN
THE DEBTORS AND THE CALIFORNIA DEPARTMENT
OF TOXIC SUBSTANCES CONTROL

Upon the Motion' filed by the Debtors seeking entry of an order under Fed. R. Bankr. P. 9019 approving the Settlement Agreement between the Debtors and the California Department of Toxic Substances Control, and it appearing that notice of the Motion was good and sufficient under the circumstances and that no other or further notice need be given; and the Court having considered the Motion and determined that cause has been shown to grant the relief requested in the Motion and after due deliberation thereon; and good and sufficient cause

¹ Except as otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Motion.

appearing therefor,

IT IS HEREBY FOUND THAT:

The Settlement Agreement is fair, reasonable and in the best interest of the Debtors' estates and is appropriate in light of the relevant factors.

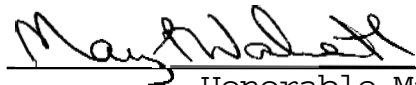
ORDERED, ADJUDGED AND DECREED THAT:

(i) the Settlement Agreement annexed hereto as Exhibit A is hereby approved;

(ii) the Debtors **are** hereby authorized to execute any documents necessary or desirable to consummate the Settlement Agreement and to comply with its terms; and

(iii) the Claims Agent is hereby authorized and directed to remove Proofs of Claim Nos. 4548, 4549, 5709, and 6926 from the Claims Registry.

Dated: Wilrnington, Delaware
 March 29, 2004



Honorable Mary F. Walrath
Chief United States Bankruptcy Judge

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

THE IT GROUP, INC., et al.,

Debtors.

Chapter 11

Case No. 02-10118 (MFW)

Jointly Administered

SETTLEMENT AGREEMENT AND RELEASE

PARTIES:

The parties to this settlement agreement and release (the "**Agreement**") are: The IT Group, Inc. and certain of its subsidiaries and affiliates, debtors and debtors-in-possession (collectively "**ITG**" or the "**Debtors**") in the jointly administered chapter 11 bankruptcy cases entitled In re The IT Group, Inc., Case No. 02-10118 (MFW) (the "**Bankruptcy Cases**") pending in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") and the State of California Department of Toxic Substances Control ("**DTSC**," and together with ITG the "**Parties**").

PURPOSES:

This Agreement resolves Proof of Claim Nos. **4548** (as amended by claim No. **6926**), **4549**, and 5709 (collectively the "**Disputed Claims**") filed by DTSC in the Bankruptcy Cases. Nothing in this Agreement shall be construed as a waiver by **DTSC** of its sovereign immunity. DTSC enters into this Agreement for the limited and sole purpose of resolving the Disputed Claims.

This Agreement is intended to be binding upon and shall inure to the benefit of the Parties, their heirs, successors and assigns, parents, subsidiaries, and affiliated corporations and organizations, officers and directors.

In mutual consideration of the promises, covenants, agreements and payments described herein, and intending to be bound hereby, the Parties agree as follows:

BACKGROUND

1. The Landfills. The Debtors IT Corporation, IT Lake Herman Road, LLC, and **IT** Vine Hill, **LLC** own and maintain four Landfills in Northern California known as Montezuma Hills, Benson Ridge, Vine Hill **Complex**, and Panoche (the "**Landfills**"), The California Hazardous Waste

Control Act and the regulations promulgated thereunder require closure and post-closure care of the Landfills as **well** as financial assurance with respect to those obligations. These requirements are the subject of a consent order between Debtor IT Corporation and the California Department of Health Services (DTSC's predecessor) in California v. International Technology Corp., No. 509105 (Super. Ct., June 27, 1989, as amended by stipulation, Sept. 30, 1999) (collectively "**Landfill Consent Order**") and are also referenced in closure **and** post-closure permits for the four Landfills that have been issued by DTSC, and in other permits issues by other regulatory authorities (collectively, the "**Permits**").

2. The Debtors' obligations with respect to the Landfills are the subject of the Disputed Claims in which DTSC seeks \$7,125,654.14 with respect to Montezuma Hills; \$4,725,050.77 with respect to Benson Ridge; \$22,907,727.13 with respect to the Vine Hill Complex; and \$44,346,759.83 with respect to Panoche, a total of \$79,105,191.87.

TERMS AND CONDITIONS:

3. Establishment of the IT Environmental Liquidating Trust. The First Amended Joint Chapter 11 Plan for the IT Group, Inc. and its Affiliated Debtors Proposed by the Debtors **and** the Official Committee of Unsecured Creditor (the "Plan") provides that on or after the occurrence of the Effective Date (**as** defined in the Plan), the Debtors shall establish the IT Environmental Liquidating Trust ("the **Trust**") in accordance with Treasury Regulation §301.77014(d) and Revenue Procedure 94-45, 1994-2 C.B. 684, I.R.B. 124. In accordance with the Plan, which is subject to the approval of the Bankruptcy Court, the Debtors shall (i) execute the IT Environmental Liquidating Trust Agreement (the "**Trust Agreement**"); (ii) take all other steps necessary or appropriate **to** establish the Trust; (iii) contribute \$1 million to the Trust; (iv) appoint in accordance with the terms and conditions, and having the duties and powers provided for in the Trust Agreement, a Trustee to administer the IT Environmental Liquidating Trust (the "**Trustee**"); and (v) otherwise comply with the terms of the Trust Agreement.

4. The terms and conditions of this Agreement shall be effective when both of the following have become final and nonappealable: (1) an order entered by the Bankruptcy Court approving the Plan that provides for the establishment **and** funding of the Trust in substantially the form submitted **and** without alterations to the Trust Agreement that impair DTSC's rights, and (2) an order entered **by** the Bankruptcy Court approving this Agreement.

5. In consideration of the foregoing, and provided that this Agreement becomes effective, the Disputed Claims are deemed satisfied. The DTSC will receive no monetary recovery from the Debtors' Estates based on the Disputed Claims or the matters referenced in them.

6. DTSC retains the right to object to the Plan and to provisions of the Trust Agreement.

Nothing in this Agreement shall be construed as a waiver of any such right.

7. This Agreement represents the entire Agreement between and among the Parties regarding claims asserted in the Disputed Claims and no Party has made any promises to or agreements with any other Party other than those contained in this Agreement with respect to the Disputed Claims. Each of the Parties to this Agreement has had sufficient opportunity to review this Agreement with the attorneys of its choice.

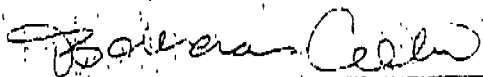
8. Unless otherwise preempted by federal law, this Agreement shall be construed **and** interpreted in accordance with the laws of the State of California, without regard to conflict of law principles.

9. Any dispute between the Debtors and DTSC regarding the implementation of this Agreement shall be referred to the Bankruptcy Court. If, however, the dispute is subject to the jurisdiction of the Northern District of California in accordance with the Plan and the Trust Agreement, then the dispute shall be referred to the Bankruptcy **Court** only upon consent by the parties to the dispute.

10. ~~This~~ Agreement is subject to **and** conditioned upon both approval by the Bankruptcy **Court** of this Agreement and confirmation of the Plan that authorizes the establishment and funding of the Trust in substantially the form submitted and without alterations to the Trust Agreement that impair **DTSC's** rights. To the extent that any of these conditions is not satisfied, then this Agreement will be void and of no force or effect, and the Parties will be returned to the status quo ante as **if** this Agreement had never been executed.

11. This Agreement may be executed and delivered in any number of original or facsimile counterparts, each of which shall be deemed **an** original, but which together shall constitute one and the **same** instrument. Facsimile signatures shall have the same force and effect as original signatures.

Agreed on behalf of the California Department of Toxic Substances Control:

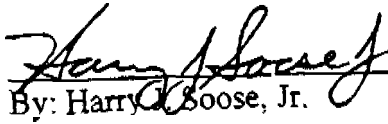


Barbara Coler, Chief
Permitting and Corrective Action Division
California Department of Toxic Substances Control
700 Heinz Avenue, Suite 200
Berkeley, California 94710

8/26/04

Date

Agreed on behalf of ~~The IT Group, Inc.~~ and its affiliated Debtors and Debtors-in-Possession:

_____

By: Harry A. Goose, Jr.

Chief Operating Officer

The IT Group, Inc.

Authorized Signatory

2/27/04
Date